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SUBJECT: LABOR PROBLEMS AT CHIQUITA: MANAGEMENT BEGINS
DISCUSSIONS WITH UNION TO DISMISS ALLEGEDLY ABSENTEE WORKERS

REF: TEGUCIGALPA 1861

11. (SBU) Summary: Chiquita and its union have begun case-by-case discussions over the contentious issue of alleged absenteeism by a high percentage of its workforce. EmbOfs recently toured Chiquita's plantation and met with both management and labor. EmbOfs urged them to continue dialogue. Both sides are seeking a mutually agreeable solution to the problem using procedures set forth in the collective bargaining agreement. End Summary.

12. (U) Ambassador, EconOfs, and LabAtt visited Chiquita's Honduran subsidiary, Tela Railroad Company, November 26 during Ambassador's first trip to San Pedro Sula. EmbOfs met with several Chiquita representatives, including VP Fernando Sanchez (a former Foreign Service Officer) and GM Jose Luis Valverde, toured the plantation and packing facility, and met with several Union of Tela Railroad Company Workers (SITRATERCO) representatives including Secretary General Eduardo Rivas (SITRATERCO President Oscar Amaya was out of the country). SITRATERCO is part of the United Confederation of Honduran Workers (CUTH), led by Israel Salinas. The CUTH is one of three labor confederations in Honduras and does not have an international affiliation.

Chiquita and Union both on Downward Trend in Honduras

13. (SBU) The banana sector has long been a key aspect of U.S. investment in Honduras, a critical part of the economy, and the backbone of the organized labor movement. This has all been on a downward trend hastened by Hurricane Mitch in 1998 that destroyed Honduras' banana crops. Chiquita has since replanted 67 percent of the land that was previously cultivated. Production, which was once at 35 million boxes/year in the 1980s, is now at 12-14 million boxes/year, but since Mitch Chiquita has been able to boost productivity through investment and a higher yield from its smaller amount of land. (Chiquita currently has 5,000 hectares under cultivation in Honduras.) SITRATERCO once had approximately 18,000 members, but now has only approximately 2,200 members as the workforce has shrunk dramatically over the years. Chiquita suffered a brief wildcat strike in June (reftel) which, combined with pest problems, kept 2002 production levels lower than Chiquita's goal. One issue related to a pest problem, the application of pesticide-treated bags around bananas on the plants, was solved this summer after an independent panel ruled the practice safe and Chiquita raised the pay for workers involved in the process.

14. (SBU) SITRATERCO workers receive on average USD 8/day (which is almost double the USD 4.5 minimum wage in the export sector) plus at least that much in benefits. The company has plans to reduce expenses related to its benefits package by switching from company-owned housing to subsidized bank loans for employees to buy their own homes built by the company on land provided by Chiquita and the GOH. The employees will pay approximately 25-30 percent of the actual cost of the house and land and can continue to make payments toward the title even if they stop working for Chiquita. The houses are not on the plantation, thus ending the company town and reducing health risks from pesticide application near housing. Chiquita is also considering transferring the company hospital (built in 1951) to the GOH's social security system, and grandfathering current employees who have generous health plans. Chiquita has not yet discussed the hospital issue with the union and asked EmbOfs to remain silent on the issue.

Both Sides Agree Absenteeism a Problem but Disagree on Size

15. (SBU) Chiquita is currently suffering problems over alleged absenteeism by a relatively large percentage (15 percent) of its workforce. Ambassador and PolCouns discussed the issue November 20 with Minister of Labor German Leitzelar, LabAtt spoke to both management and labor November

21, and EmbOffs discussed the issue again during the November 26 visit to Chiquita. Chiquita recently ran a full-page ad in Honduran newspapers that detailed management's point of view. Chiquita management says it has faced the issue of absenteeism for quite some time and could not afford to postpone dealing with it any longer. Productivity is low and the Honduras operation has been losing money since 1994, said Sanchez. Management has two lists of employees with alleged absenteeism problems: one list of 350-400 workers with a high level of absenteeism that do not/not have legitimate health problems, and another list of 350 workers with a high level of absenteeism that do have legitimate health problems.

16. (SBU) The union conceded to EmbOffs that absenteeism was a problem but disputed the extent it had negatively impacted production, and claimed management was downplaying problems with the fruit and infrastructure. (Chiquita management recently funded a trip for labor representatives to travel to Florida to meet with Chiquita customers and to hear complaints about the quality of the bananas coming from Honduras.) The union also believes that some of the workers on the list either were on vacation, maternity leave, or extended recuperation time during their alleged absenteeism, and that others on the list no longer work for Chiquita. Both sides agreed that press coverage of the issue had been erroneous.

17. (SBU) Rivas said that the union had received the lists from management November 21 and that a tripartite committee comprised of management, labor, and the medical office of the company had begun to meet November 25 to deal with the problem on a case-by-case basis. According to both sides, management and labor have fifteen days to determine a final disposition in each case of workers with a high level of absenteeism and that do not/not have legitimate health problems. Management has pledged that any workers laid off will receive their full severance pay in accordance with Honduran law. Cases involving workers with a high level of absenteeism that do have legitimate health problems will take several months to resolve. Sanchez said that workers with legitimate health problems will either be reintegrated into the workforce or will receive some sort of disability benefits. Sanchez emphasized that this was not a ploy to reduce the workforce and that adult dependents of those laid off will have first shot at filling the vacant positions. EmbOffs encouraged the sides to talk to each other to resolve this issue directly (and not via the press) in a fair manner.

18. (SBU) Sanchez called LabAtt November 27 to follow-up on EmbOffs visit to Chiquita. LabAtt urged Chiquita management to continue to work with SITRATERCO according to the collective bargaining agreement to resolve the cases of alleged absenteeism. Sanchez said he would keep the Embassy up to date on how the process went.

Ambassador Urges Continued Dialogue

19. (SBU) Comment: Ambassador and LabAtt underlined the importance of U.S. investment in the banana sector to Honduras' economic growth as well as the importance of trade unions in Honduras to both management and labor. Ambassador reiterated that the Embassy's role was to promote the observation of core labor rights throughout Honduras and to help facilitate dialogue between labor and management. EmbOffs made clear that the Honduran Ministry of Labor had jurisdiction over labor-management problems in Honduras. Neither side has asked for the Embassy's intervention to help resolve the issue. Post is guardedly optimistic that the two sides will be able to resolve the majority of the cases of alleged absenteeism through the established procedures. However, the fact that the potential number of employees to be dismissed is a significant percentage of the union's membership could make it more difficult. This issue of medical care, however, could be an even more contentious issue in the future. End Comment.

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